

2000-02 TRUST FUND GUIDELINES

Recommendation:

- That the Council approve the attached 2000-02 Trust Fund Guidelines for the following programs: Endowment Match, Enrollment Growth and Retention, Action Agenda, Workforce Training, Equipment Replacement, and Capital Renewal and Maintenance (Attachment A).
- That the Council staff be authorized to develop reporting procedures related to these programs.

Rationale:

- *The Postsecondary Education Improvement Act of 1997* (House Bill 1) created a Strategic Incentive and Investment Funding Program to provide for a system of strategic financial assistance awards to advance the goals of postsecondary education reform. The Council is authorized to establish guidelines consistent with the Council-adopted Strategic Agenda.
- In September 1998, the Council adopted guidelines for the 1998-2000 biennium's Research Challenge Trust Fund Endowment Program and the Regional University Excellence Trust Fund Endowment Program (Attachment B).
- The 2000 General Assembly created, for a second biennium, an Endowment Match Program and created, through the budget bill, two new trust funds: the Science and Technology Trust Fund and the Adult Education and Literacy Trust Fund. Preliminary plans for these two new trust funds are in this agenda book.
- The 2000-02 budget bill also established a Faculty Development Program for 2001-02 under the Technology Initiative Trust Fund. Guidelines for the 2001-02 Faculty Development Program will be considered by the Council no later than its January 2001 meeting.
- Appropriations in the 2000-02 biennium for the Student Financial Aid and Advancement Trust Fund are for the Kentucky Educational Excellence Scholarship Program, administered by the Kentucky Higher Education Assistance Authority. These appropriations will be made available in accordance with the funding mechanism established in Senate Bill 21 from the 1998 regular session.

Highlights:

I. Endowment Match

The Endowment Match Program is cash-funded in the Surplus Expenditure Plan at \$120 million, with \$100 million appropriated for the research universities (University of Kentucky two-thirds, University of Louisville one-third) and \$20 million for the comprehensive universities. Funds must be matched dollar-for-dollar and are targeted for endowed chairs and professorships. Funds will be available for distribution after the close of 1999-2000.

The 1998-2000 Endowment Match Program guidelines for the research institutions have been modified as follows:

- Added language on specific disciplines and required percentages. Rationale: Desire to target the most endowment match funds to benefit Kentucky's economy as directly as possible.
- Allowed faculty who are engaged in research to hold key administrative positions such as departmental chairs, center directors, or deans. Rationale: Not penalizing scholars who hold key administrative positions, while retaining primary emphasis on the quality of scholarship.
- Established a minimum amount for endowment matching funds. Rationale: The 1998-2000 guidelines provide for no minimum matching funds amount. The proposed guidelines establish a \$50,000 minimum for administrative efficiency.
- Required that all matching funds be treated as endowments. Rationale: The original intent was to increase endowments so that only interest income would be spent, leaving the principal.
- Required that matching funds not be from any state-funded trust fund. Rationale: The new guidelines clarify the original intent.
- Deleted language that permitted institutional matches from federal funds and auxiliary enterprises. Rationale: Neither federal funds nor funds from auxiliary enterprises were used as match in the current biennium.

The \$20 million appropriated for the comprehensive universities in the Endowment Match Program is divided into two \$10 million pools with the primary pool being distributed among institutions as prescribed by KRS 164.7919(1)(b). The secondary pool of \$10 million is appropriated for each comprehensive institution based on the same distribution only until June 30, 2002.

| Comprehensive Universities | Primary Pool | Secondary Pool | Total |
|---------------------------------------|-------------------------|---------------------------|---------------------|
| Eastern Kentucky University | \$2,450,000 | \$2,450,000 | \$4,900,000 |
| Kentucky State University | 751,500 | 751,500 | 1,503,000 |
| Morehead State University | 1,462,500 | 1,462,500 | 2,925,000 |
| Murray State University | 1,691,500 | 1,691,500 | 3,383,000 |
| Northern Kentucky University | 1,332,000 | 1,332,000 | 2,664,000 |
| Western Kentucky University | 2,312,500 | 2,312,500 | 4,625,000 |
| Total | \$10,000,000 | \$10,000,000 | \$20,000,000 |

The Endowment Match Program guidelines for the comprehensive institutions have been modified as follows:

- Added endowed scholarships as a new category. Rationale: Comprehensive universities needed the ability to provide for undergraduate endowed financial aid.
- Allowed faculty who are engaged in research to hold key administrative positions such as departmental chairs, center directors, or deans. Rationale: Not penalizing scholars who hold key administrative positions, while retaining primary emphasis on the quality of scholarship.
- Required that all matching funds be treated as endowments. Rationale: The original intent was to increase endowments so that only interest income would be spent, leaving the principal.
- Required that matching funds not be from any state-funded trust fund. Rationale: The new guidelines clarify the original intent.
- Deleted language that permitted institutional matches to come from federal funds and auxiliary enterprises. Rationale: Neither federal funds nor funds from auxiliary enterprises were used as match in the current biennium.

II. Enrollment Growth and Retention

The Enrollment Growth and Retention Program provides \$8 million in each year of the biennium. The 2000-01 appropriation will be distributed among institutions according to the provisions of the budget bill, House Bill 502. The 2001-02 appropriation will be distributed based on guidelines approved by the Council no later than its January 2001 meeting. The 2000-01 appropriation will be distributed as follows:

| | |
|-----------------------------------|--------------------|
| Research Universities | |
| University of Kentucky | \$950,000 |
| Lexington Community College | 250,000 |
| University of Louisville | <u>450,000</u> |
| Total | \$1,650,000 |
| Comprehensive Universities | |
| Eastern Kentucky University | 850,000 |
| Kentucky State University | 400,000 |
| Morehead State University | 350,000 |
| Murray State University | 200,000 |
| Northern Kentucky University | 350,000 |
| Western Kentucky University | <u>700,000</u> |
| Total | \$2,850,000 |
| KCTCS | \$3,500,000 |
| System Total | \$8,000,000 |

III. Action Agenda

The Action Agenda Program is funded at \$10 million in 2001-02. Funds are distributed as prescribed by KRS 164.7919(1)(b). Institutions will submit proposals directed at achieving the goals of *The Postsecondary Education Improvement Act of 1997*, the *2020 Vision*, and the *Action Agenda*. Funds are allocated among the comprehensive universities as specified in House Bill 502 as follows:

| | |
|--|-----------------------|
| <u>Comprehensive Universities</u> | <u>2001-02</u> |
| Eastern Kentucky University | \$2,433,000 |
| Kentucky State University | 732,000 |
| Morehead State University | 1,435,000 |
| Murray State University | 1,659,000 |
| Northern Kentucky University | 1,414,000 |
| Western Kentucky University | <u>2,327,000</u> |
| Total | \$10,000,000 |

IV. Workforce Training

The Workforce Training Program is funded at \$6 million in each year of the biennium to help improve and expand workforce skills. Workforce Training Program funds are earmarked for the KCTCS and the Lexington Community College through the KCTCS.

V. Equipment Replacement

The Equipment Replacement Program provides debt service for a \$20 million bond issue to upgrade and replace instructional and research equipment. The budget bill allocates bond proceeds proportionally among institutions based on 1998-99 actual unrestricted instruction and research expenditures as follows:

| | |
|-----------------------------------|---------------------|
| Research Universities | |
| University of Kentucky | \$7,385,000 |
| University of Louisville | <u>3,547,000</u> |
| Total | \$10,932,000 |
| Comprehensive Universities | |
| Eastern Kentucky University | \$1,582,000 |
| Kentucky State University | 253,000 |
| Morehead State University | 751,000 |
| Murray State University | 1,009,000 |
| Northern Kentucky University | 861,000 |
| Western Kentucky University | <u>1,394,000</u> |
| Total | \$5,850,000 |
| KCTCS | \$3,218,000 |
| System Total | \$20,000,000 |

VI. Capital Renewal and Maintenance

The Capital Renewal and Maintenance Program provides debt service for a \$30 million bond issue. The distribution of the bond proceeds is based on education and general square footage reported by institutions in the fall 1998 facilities database and was part of the Council's 2000-02 budget request.

Research Universities

| | |
|--------------------------|---------------------|
| University of Kentucky | \$8,929,000 |
| University of Louisville | <u>4,553,000</u> |
| Total | \$13,482,000 |

Comprehensive Universities

| | |
|------------------------------|---------------------|
| Eastern Kentucky University | \$2,814,000 |
| Kentucky State University | 759,000 |
| Morehead State University | 1,625,000 |
| Murray State University | 2,532,000 |
| Northern Kentucky University | 1,359,000 |
| Western Kentucky University | <u>2,343,000</u> |
| Total | \$11,432,000 |

| | |
|--------------|--------------------|
| KCTCS | \$5,086,000 |
|--------------|--------------------|

| | |
|---------------------|---------------------|
| System Total | \$30,000,000 |
|---------------------|---------------------|

Staff Preparation by Ron Carson
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KENTUCKY POSTSECONDARY EDUCATION

2000-02 TRUST FUND GUIDELINES:

Research Challenge Trust Fund

Regional Excellence Trust Fund

Postsecondary Workforce Development Trust Fund

Technology Initiative Trust Fund

Physical Facilities Trust Fund

Commonwealth of Kentucky
Council on Postsecondary Education
Frankfort, Kentucky 40601-8204



2000-02 TRUST FUND GUIDELINES

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2000-02 ENDOWMENT MATCH PROGRAM GUIDELINES

Introduction

The Endowment Match Program for 2000-02 is cash-funded in the Surplus Expenditure Plan in the 2000-02 Appropriations Bill as follows:

Research Universities

| | |
|--------------------------|----------------------|
| University of Kentucky | \$66,667,000 |
| University of Louisville | <u>33,333,000</u> |
| Total | \$100,000,000 |

Comprehensive Universities

| | |
|------------------------------|---------------------|
| Eastern Kentucky University | \$4,900,000 |
| Kentucky State University | 1,503,000 |
| Morehead State University | 2,925,000 |
| Murray State University | 3,383,000 |
| Northern Kentucky University | 2,664,000 |
| Western Kentucky University | <u>4,625,000</u> |
| Total | \$20,000,000 |

These guidelines replace the 1998-2000 guidelines approved by the Council in 1998 with the following exceptions:

- The first two sections of the 1998-2000 guidelines, “Objectives” and “General Guidelines for the Use of the Endowment Funds,” are maintained.
- The 1998-2000 allocation to each university must be matched completely before that institution qualifies for any portion of its 2000-02 allocation. Each university will use the 1998-2000 Endowment Program Guidelines until its 1998-2000 Endowment Program allocation has been completely matched.

Section 1: Research Universities

A. Uses of Endowment Match Program Funds

1. Endowment Match Program funds will be used for the following purposes:
 - **Endowed Chairs:** Fund new faculty positions and associated expenses. Associated expenses may include travel, start-up costs, and other professional expenses as permitted by university policy.
 - **Endowed Professorships:** Fund salary supplements to existing faculty positions and associated expenses for those positions including travel expenses, start-up costs, and other professional expenses as permitted by university policy.
 - **Endowed Graduate/Professional Fellowships:** Fund fellowship stipends, which may include travel and other expenses as permitted by university policy, for outstanding graduate or professional students.
 - **Research and Graduate Mission Support:** Includes support for the improvement of priority programs of national distinction including funding for visiting scholars, nationally prominent publications, the dissemination of research, and the advancement and support of the general research mission as specified in university regulations and policies. Universities would not fund capital construction projects with endowment funds.
2. At least 60 percent of these funds must be used to support the academic disciplines of engineering, technology, computer science, health sciences, life sciences, mathematics, or physical sciences. These areas are of strategic benefit to Kentucky and are core components of the knowledge-based economy.
3. Endowment Match Program funds cannot be used for administration or administrative staff positions if the primary reason for the appointment is administrative. However, researchers or scholars with an active research program who may have an appointment such as departmental chair, center director, or dean will be eligible.

B. Matching Requirements

This program is conceived as a way to bring new money from external sources into the Commonwealth's system of postsecondary education. To receive Endowment Match Program funds, the research universities will provide a dollar-for-dollar match:

1. Eligible matching funds can be received from only the following entities:
 - Businesses, foundations, hospitals, or corporations.
 - Alumni or other individuals.

2. The minimum eligible matching amount is \$50,000. A university may combine smaller donations from individuals, businesses, foundations, or corporations to meet the \$50,000 minimum.
3. All matching funds must be endowed. “Endowed” means the principal must be maintained and only earnings may be expended.
4. Requests for Endowment Match Program funds should:
 - Identify separately the matching funds that are cash and the matching funds that are pledges.
 - Be based on a binding written contract or agreement.
 - Include a payment pledge that may not exceed five years.
5. If pledged funds are not received within five years, the university must replace the portion that is not received with another eligible cash match or the Endowment Match Program funds will revert to the Trust Fund for reallocation.
6. Matching funds may not be from any state-funded trust fund.

C. Annual Reporting for 2000-02

The Council staff, working with university presidents and their staffs, will modify as necessary the universities’ annual report used to monitor the 1998-2000 Endowment Match Program.

Section 2: Comprehensive Universities

A. Uses of Endowment Match Program Funds

1. Endowment Match Program funds will be used for the following purposes:
 - **Endowed Chairs:** Fund new faculty positions and associated expenses. Associated expenses may include travel, start-up costs, and other professional expenses as permitted by university policy.
 - **Endowed Professorships:** Fund salary supplements to existing faculty positions and associated expenses for those positions including travel expenses, start-up costs, and other professional expenses as permitted by university policy.
 - **Endowed Scholarships and Fellowships:** Fund scholarships and fellowship stipends, which may include travel and other expenses as permitted by university policy, for outstanding students.

- **Comprehensive Mission Support:** Includes support for the improvement of priority programs of national distinction including funding for visiting scholars, nationally prominent publications, the dissemination of research, and the advancement of support of the general research mission as specified in university regulations and policies. Universities would not fund capital construction projects with endowment funds.
2. Endowment Match Program funds cannot be used for administration or administrative staff positions if the primary reason for the appointment is administrative. However, researchers or scholars with an active research program who may have an appointment such as departmental chair, center director, or dean will be eligible.

B. Matching Requirements

This program is conceived as a way to bring new money from external sources into the Commonwealth's system of postsecondary education. To receive Endowment Match Program funds, the comprehensive universities will provide a dollar-for-dollar match:

1. Eligible matching funds can be received from only the following entities:
 - Businesses, foundations, hospitals, or corporations.
 - Alumni or other individuals.
2. All matching funds must be endowed. "Endowed" means the principal must be maintained and only earnings may be expended.
3. Requests for Endowment Match Program funds should:
 - Identify separately the matching funds that are cash and the matching funds that are pledges.
 - Be based on a binding written contract or agreement.
 - Include a payment pledge that may not exceed five years.
4. If pledged funds are not received within five years, the university must replace the portion that is not received with another eligible cash match or the Endowment Match Program funds will revert to the Trust Fund for reallocation.
5. Matching funds may not be from any state-funded trust fund.

6. Distribution of the Endowment Match Program funds will be as follows:

For purposes of allocation, the comprehensive university endowment match of \$20 million is divided into two \$10 million pools. Each institution has access to the two pools for the amounts specified below:

| <u>Institution</u> | <u>Primary Pool</u> | <u>Secondary Pool</u> | <u>Total</u> |
|------------------------------|--------------------------------|----------------------------------|---------------------|
| Eastern Kentucky University | \$2,450,000 | \$2,450,000 | \$4,900,000 |
| Kentucky State University | 751,500 | 751,500 | 1,503,000 |
| Morehead State University | 1,462,500 | 1,462,500 | 2,925,000 |
| Murray State University | 1,691,500 | 1,691,500 | 3,383,000 |
| Northern Kentucky University | 1,332,000 | 1,332,000 | 2,664,000 |
| Western Kentucky University | <u>2,312,500</u> | <u>2,312,500</u> | <u>4,625,000</u> |
| Total | \$10,000,000 | \$10,000,000 | \$20,000,000 |

The primary pool of \$10 million is allocated to specific institutions and remains in the Trust Fund until it is matched. Funds may be carried forward.

The secondary pool is assigned to each institution until June 30, 2002. If not matched by the assigned institution by that date, all comprehensive universities that have fully matched their allocations from both pools may submit requests for additional matching funds. Funds requested from July 1, 2002 until July 31, 2002, will be matched on a pro-rata basis based on requests. After July 31, 2002, funds requested will be considered on a first-in basis until all funds are allocated.

C. Annual Reporting for 2000-02

The Council staff, working with university presidents and their staffs, will modify as necessary the format and contents of the universities' annual report used to monitor the 1998-2000 Endowment Matching Program.

2000-02 ENROLLMENT GROWTH AND RETENTION PROGRAM GUIDELINES

Introduction

The Enrollment Growth and Retention Program supports increased enrollment and retention in Kentucky's postsecondary education institutions. The Council, in conjunction with the institutions, established enrollment and retention targets that will be used in measuring progress toward increased educational access and attainment. These goals reflect the *1999-2004 Action Agenda* and House Bill 1 initiatives to reach national averages in educational attainment by 2020. Additionally, the program should target underserved areas.

The 2000-02 Appropriations Bill allocates the \$8 million Enrollment Growth and Retention Program funds for 2000-01:

| Institution | 2000-01 |
|--|--------------------|
| Research Universities | |
| University of Kentucky | \$950,000 |
| Lexington Community College | 250,000 |
| University of Louisville | 450,000 |
| Total | \$1,650,000 |
| Comprehensive Universities | |
| Eastern Kentucky University | 850,000 |
| Kentucky State University | 400,000 |
| Morehead State University | 350,000 |
| Murray State University | 200,000 |
| Northern Kentucky University | 350,000 |
| Western Kentucky University | 700,000 |
| Total | \$2,850,000 |
| Kentucky Community and Technical College System Total | \$3,500,000 |
| System Total | \$8,000,000 |

The 2001-02 appropriation is not allocated at this time.

Biennial enrollment and retention goals were established for each institution as part of the *1999-2004 Action Agenda*.

- For 2000-01, institutions will be measured by whether or not they meet the fall 2000 goals.
- Because of the 2000-01 legislative appropriation, the enrollment and retention schedules now include objectives for each year of the biennium. The first year objectives are interpolations.

A. Uses of Enrollment Growth and Retention Program Funds

1. There are no restrictions on the non-recurring use of 2000-01 Enrollment Growth and Retention Program funds for institutions that meet fall 2000 enrollment and retention goals.
2. Institutions that assign 2000-01 enrollment growth and retention funds to recurring activities should understand that the distribution of the 2001-02 appropriation will be based on meeting enrollment and retention goals in the fall of 2001.

B. Distribution of 2000-01 Funds

Enrollment growth and retention funds will be distributed after July 1, 2000. However, institutions that do not meet fall 2000 enrollment and retention goals must submit a plan showing how the funds will be used to support recruitment and retention efforts.

C. Distribution and Uses of 2001-02 Enrollment Growth and Retention Program Funds

It is anticipated that the 2001-02 Enrollment Growth and Retention Program Guidelines will be submitted to the Council no later than its January 2001 meeting. The distribution of 2001-02 funds will be based on meeting fall 2001 enrollment and retention goals.

***Undergraduate Enrollment
Fall Semester***

| | <u>Actual</u> | | <u>Goal</u> | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | <u>1998*</u> | <u>1999*</u> | <u>2000</u> | <u>2001</u> |
| Research Universities | | | | |
| University of Kentucky | 17,200 | 16,800 | 17,300 | 17,400 |
| Lexington Community College | 6,100 | 6,800 | 6,700 | 7,000 |
| University of Louisville | 14,600 | 14,700 | 14,500 | 14,400 |
| Comprehensive Universities | | | | |
| Eastern Kentucky University | 13,500 | 13,300 | 13,800 | 14,100 |
| Kentucky State University | 2,200 | 2,300 | 2,300 | 2,400 |
| Morehead State University | 6,700 | 6,600 | 6,800 | 6,900 |
| Murray State University | 7,300 | 7,300 | 7,400 | 7,500 |
| Northern Kentucky University | 10,600 | 10,700 | 10,700 | 10,900 |
| Western Kentucky University | 12,700 | 12,900 | 13,000 | 13,200 |
| KCTCS | 45,500 | 46,000 | 47,300 | 48,800 |
| Subtotal | 136,400 | 137,400 | 139,800 | 142,600 |
| Independent Institutions | 24,200 | 24,100 | 24,200 | 24,700 |
| Total Undergraduate Enrollment | 160,600 | 161,500 | 164,000 | 167,300 |

* Rounded

Graduate/Professional Enrollment*
Fall Semester

| | <u>Actual</u> | | <u>Goal</u> | |
|---|---------------|---------------|---------------|---------------|
| | <u>1998**</u> | <u>1999**</u> | <u>2000</u> | <u>2001</u> |
| University of Kentucky | 7,000 | 6,700 | 7,000 | 7,100 |
| University of Louisville | 6,100 | 6,000 | 6,200 | 6,300 |
| Total Graduate/Professional Enrollment | 13,100 | 12,700 | 13,200 | 13,400 |

* Excludes Postdoctoral Students

** Rounded

***Retention Rates
Fall Semester***

| | <u>Actual</u> | | <u>Goal</u> | |
|-----------------------------------|---------------|--------------|-------------|-------------|
| | <u>1998*</u> | <u>1999*</u> | <u>2000</u> | <u>2001</u> |
| Research Universities | | | | |
| University of Kentucky | 80% | 79% | 80% | 81% |
| Lexington Community College** | 62 | 62 | 63 | 63 |
| University of Louisville | 71 | 69 | 72 | 73 |
| Comprehensive Universities | | | | |
| Eastern Kentucky University | 63 | 61 | 64 | 65 |
| Kentucky State University | 57 | 71 | 58 | 59 |
| Morehead State University | 64 | 59 | 65 | 66 |
| Murray State University | 72 | 67 | 72 | 73 |
| Northern Kentucky University | 63 | 62 | 64 | 65 |
| Western Kentucky University | 68 | 67 | 68 | 69 |
| KCTCS** | 53 | 53 | 54 | 55 |

* Rounded. First-time freshmen in fall 1997 who were still enrolled in fall 1998, and first-time freshmen in fall 1998 who were still enrolled in fall 1999.

** Includes students who transferred to public universities.

2000-02 ACTION AGENDA PROGRAM GUIDELINES

Introduction

The Action Agenda Program in the Regional University Excellence Trust Fund will support specific efforts by the comprehensive universities to achieve the aspirations set forth in the *Kentucky Postsecondary Education Improvement Act of 1997*, *2020 Vision*, and the Council's *1999-2004 Action Agenda*. Institutions are expected to design, develop, and implement distinctive approaches to achieving the goals of postsecondary education including leading more Kentuckians to seek and obtain postsecondary education, smoothing the transition from high school to postsecondary education, and improving the quality of life for children and the elderly.

This program has a \$10 million appropriation in 2001-02 to be allocated among the comprehensive universities as specified in House Bill 502.

| <u>Comprehensive Universities</u> | <u>2001-02</u> |
|-----------------------------------|---------------------|
| Eastern Kentucky University | \$2,433,000 |
| Kentucky State University | 732,000 |
| Morehead State University | 1,435,000 |
| Murray State University | 1,659,000 |
| Northern Kentucky University | 1,414,000 |
| Western Kentucky University | <u>2,327,000</u> |
| Total | \$10,000,000 |

A. Uses of Action Agenda Program Funds

1. Activities should be directed toward initiatives that will help achieve the goals of *The Postsecondary Education Reform Act of 1997*, *2020 Vision*, and the *Action Agenda*.
2. Each comprehensive university shall submit a single proposal addressing the planned use of these funds. The proposal may include multiple initiatives.
3. Examples of initiatives that may be funded include efforts to:
 - Address issues of teacher quality, pre-service training, and in-service professional development as identified by the Teacher Quality Task Force recommendations. (Note: The 2000-02 Appropriations Bill encourages the Council to allocate \$4 million of the Action Agenda Program funds to initiatives addressing teacher quality issues. Senate Bill 77 stipulates conditions that postsecondary education institutions must meet in order to qualify for funds for the purposes of teacher education or model programs of teaching and learning.)

- Collaborate with other education entities.
- Aid in the recruitment and retention of students by increasing the awareness of an institution and its academic offerings among populations within its region.
- Increase the cultural and racial diversity among students, faculty, and staff.
- Provide services for persons with disabilities.
- Implement projects that address community problems and quality of life issues.
- Increase the effective use of information technology for instructional purposes only.
- Determine the level of student satisfaction with their learning and employer satisfaction with their college-educated workforce.

4. Proposals will be reviewed by the Council based on the criteria listed above.

B. Annual Reporting for 2000-02

Proposals will include outcomes-based performance indicators, benchmarks, and evaluation criteria.

2000-02 WORKFORCE TRAINING PROGRAM GUIDELINES

Introduction

The Workforce Training Program in the Postsecondary Workforce Development Trust Fund will help improve and expand workforce skills. To retain and attract leading companies, Kentucky needs highly trained workers. Kentucky employers need rapid, flexible response to immediate training needs. The Workforce Training Program continues the 1999-2000 \$6 million program appropriation for each year of the 2000-02 biennium.

Kentucky Community and Technical College System

| | |
|--------------|---------------------|
| 2000-01 | \$6,000,000 |
| 2001-02 | <u>6,000,000</u> |
| Total | \$12,000,000 |

Uses of Workforce Training Program Funds

1. The Kentucky Community and Technical College System will write a proposal addressing the planned use of these funds.
2. The 2000-02 Appropriations Bill, House Bill 502, encourages up to \$2 million each year be used for high-tech training consistent with the Knowledge-Based Economy Initiative. The Council will place a high priority on proposals addressing this issue.
3. The proposal is to include the specific performance objectives and timeline against which success of the program can be measured.
4. Lexington Community College may apply for funding through the KCTCS.
5. These funds may be used for worker training programs on a nonrecurring basis and may not be used to establish permanent KCTCS program offerings.

2000-02 EQUIPMENT REPLACEMENT PROGRAM GUIDELINES

Introduction

The Equipment Replacement Program in the Technology Initiative Trust Fund will pay the debt service on a \$20 million seven-year bond issue to upgrade and replace instructional and research equipment. The Council staff will work with the Finance and Administration Cabinet to provide the necessary documentation so that the bonds may be issued as soon as possible after January 1, 2001.

The bond proceeds are allocated proportionally among institutions based on 1998-99 actual unrestricted instruction and research expenditures in accordance with the provisions of House Bill 502.

Research Universities

| | |
|--------------------------|---------------------|
| University of Kentucky | \$7,385,000 |
| University of Louisville | 3,547,000 |
| Total | \$10,932,000 |

Comprehensive Universities

| | |
|------------------------------|--------------------|
| Eastern Kentucky University | \$1,582,000 |
| Kentucky State University | 253,000 |
| Morehead State University | 751,000 |
| Murray State University | 1,009,000 |
| Northern Kentucky University | 861,000 |
| Western Kentucky University | 1,394,000 |
| Total | \$5,850,000 |

| | |
|--|--------------------|
| Kentucky Community and Technical College System Total | \$3,218,000 |
|--|--------------------|

| | |
|---------------------|---------------------|
| System Total | \$20,000,000 |
|---------------------|---------------------|

Use and Distribution of Equipment Replacement Program Funds

1. Each institution shall submit a proposal, by October 2, 2000, addressing the planned use of these funds, including identifying whether the replacement equipment is instructional or research equipment.
 - The proposal shall certify that the institution will maintain at least its 1999-2000 level of expenditures for instructional and research equipment replacement.
2. Institutions replacing research equipment will match trust funds dollar-for-dollar.
 - The availability of research equipment matching funds must be certified by the institution prior to the release of the trust funds.
 - Research equipment matching funds may not be from any state-funded trust fund.
3. The Council will act on institutional proposals and recommend action to the Secretary of the Finance and Administration Cabinet for approval.
4. Instructional and research equipment shall have an average useful life of no less than five years.

2000-02 CAPITAL RENEWAL PROGRAM GUIDELINES

Introduction

The Capital Renewal Program in the Physical Facilities Trust Fund will pay the debt service on a \$30 million 20-year bond issue to provide matching dollars to reduce deferred maintenance backlogs and begin to address longer-range facilities renewal needs. The Council staff will work with the Finance and Administration Cabinet to provide the necessary documentation so that the bonds may be issued as soon as possible after January 1, 2001.

The distribution of the bond proceeds is based on E&G square footage reported by institutions in the Fall 1998 Facilities Database. The distribution was part of the Council's 2000-02 biennial budget request.

Research Universities

| | |
|--------------------------|---------------------|
| University of Kentucky | \$8,929,000 |
| University of Louisville | <u>4,553,000</u> |
| Total | \$13,482,000 |

Comprehensive Universities

| | |
|------------------------------|---------------------|
| Eastern Kentucky University | \$2,814,000 |
| Kentucky State University | 759,000 |
| Morehead State University | 1,625,000 |
| Murray State University | 2,532,000 |
| Northern Kentucky University | 1,359,000 |
| Western Kentucky University | <u>2,343,000</u> |
| Total | \$11,432,000 |

| | |
|--|--------------------|
| Kentucky Community and Technical College System Total | \$5,086,000 |
|--|--------------------|

| | |
|---------------------|---------------------|
| System Total | \$30,000,000 |
|---------------------|---------------------|

Use and Distribution of Capital Renewal Program Funds

- 1.** Bond proceeds will be matched dollar-for-dollar by the institutions. This will yield \$60 million for capital renewal projects.
- 2.** The availability of matching funds must be certified by the institution prior to the release of the funds.
- 3.** Matching funds may not be from any state-funded trust fund.
- 4.** Each institution will write to the Council, by July 31, 2000, identifying the projects that will be funded by bond proceeds and the institutional match. Projects to be funded must be from the list of eligible projects approved by the Council in November 1999. That list is attached.
- 5.** The Council will act on institutional proposals for funding and report that action to the Secretary of the Finance and Administration Cabinet for approval.

Capital Renewal Bonds Pool Projects Eligible For Funding

| <u>Institution and Project</u> | <u>Project Scope</u> |
|--|-----------------------------|
| University of Kentucky | |
| Deferred Maintenance Pool | 2,095,000 |
| Capital Renewal Pool | 12,268,000 |
| Life Safety Pool E&G | 2,145,000 |
| Life Safety Lex Campus Fume Hoods - Phase III | 3,205,000 |
| Life Safety Lex Campus Asbestos Abatement - Ph I | 500,000 |
| Life Safety Underground Storage Tanks | 927,000 |
| Handicapped Access Pool E&G | 350,000 |
| Steam and Condensate Pipe Repair - Phase I | 2,352,000 |
| Chilled Water Additions | 784,000 |
| Storm Sewer Improvements – Funkhouser | 910,000 |
| Substation #2 Renovation | 2,520,000 |
| Chilled Water Piping Addition to Pit | 1,174,000 |
| Central Heating Plant #2 Improvements | 1,247,000 |
| Nursing Building Elevator Controls Upgrade | 500,000 |
| Steam Line Expansion – Medical Center | 2,867,000 |
| Upgrade Chilled Water Systems - Medical Center | 3,450,000 |
| Electrical Substation Upgrade | 3,600,000 |
| Steam and Condensate Pipe Improvement - Phase I | 2,494,000 |
| Pollution Controls, Central Heating Plant #2 | 1,494,000 |
| Sanitary Line Project | 2,360,000 |
| UK Subtotal | 47,242,000 |
| University of Louisville | |
| Deferred Maintenance Projects Pool | 250,000 |
| Capital Renewal Projects Pool | 6,225,000 |
| Code Improvements – Fire Safety Pool | 1,029,000 |
| Chemistry Fume Hood Redesign | 5,397,000 |
| Life Sciences Lab Ventilation Renovation | 3,638,000 |
| ADA Project Pool - E&G | 2,638,000 |
| Environmental Health and Safety Projects - E&G | 360,000 |
| CFC Project Phase III – E&G | 1,953,000 |
| UofL Subtotal | 21,490,000 |
| Eastern Kentucky University | |
| Minor Projects Maintenance - E&G | \$12,000,000 |
| E&G Life Safety Begley Building Elevator | 750,000 |
| EKU Subtotal | 12,750,000 |

Kentucky State University

| | |
|--------------------------------------|------------------|
| Roof Repair and Replacement Projects | 600,000 |
| Capital Renewal Projects | 1,000,000 |
| Pedestrian Mall | 771,000 |
| Chiller Additions | 2,254,200 |
| KSU Subtotal | 4,625,200 |

Morehead State University

| | |
|---|------------------|
| Life Safety: E&G Facilities | 720,000 |
| Claypool-Young Air Quality, Health and Safety | 420,000 |
| ADA Compliance - E&G | 1,793,000 |
| 1990 Clean Air Act Amendment Compliance - E&G | 1,100,000 |
| Capital Renewal – E&G | 4,300,000 |
| Central Campus Reconstruction | 650,000 |
| MoSU Subtotal | 8,983,000 |

Murray State University

| | |
|---|-------------------|
| Deferred Maintenance: E&G | 864,000 |
| Life Safety: E&G Pool | 852,000 |
| Projects Less Than \$400,000 E&G | 792,000 |
| Capital Renewal: E&G Pool | 2,705,000 |
| Electrical Distribution Upgrade | 3,330,000 |
| Replace Campus Telephone Cable | 1,708,000 |
| Pogue Electric and HVAC Renovation | 750,000 |
| Replace Central Plant Boiler | 666,000 |
| Central Plant – Add Chiller | 630,000 |
| Replace Physical Plant – Electrical Substation | 796,000 |
| Upgrade Highway 121 Electrical Substation | 1,000,000 |
| Replace High Voltage Feeder | 1,141,000 |
| Applied Science Electrical Upgrade | 850,000 |
| Wells Hall Electrical Upgrade | 600,000 |
| Sparks Hall Electrical Upgrade | 952,000 |
| Sparks Hall Renovate HVAC System | 500,000 |
| General Services Renovate HVAC System | 500,000 |
| Special Education Building Renovate HVAC System | 500,000 |
| Price Doyle HVAC Replacement & Energy Retrofit | 750,000 |
| ADA Compliance Elevators/Modifications | 1,013,000 |
| ADA Compliance Architectural Barrier Removal | 2,092,000 |
| Asbestos Abatement E&G | 272,500 |
| CFC Compliance E&G Chillers Replacement | 585,000 |
| MuSU Subtotal | 23,848,500 |

Northern Kentucky University

| | |
|---------------------------------|------------------|
| Boiler/Chiller Replacement | 1,500,000 |
| Classroom Technology Initiative | 3,000,000 |
| Elevator Upgrade | 600,000 |
| Chilled Water System Redesign | 400,000 |
| Minor Projects Pool | 2,170,000 |
| Safety Lighting | 910,000 |
| NKU Subtotal | 8,580,000 |

Western Kentucky University

| | |
|--|-------------------|
| E&G Capital Renewal/Life Safety Pool | 8,935,000 |
| WKU Primary Electrical Service (Stage III) | 3,000,000 |
| ES&T Replace Duct Work and HVAC Controls | 633,000 |
| Academic Complex Replace VAV Boxes | 638,000 |
| Kentucky Building HVAC Replacement | 880,000 |
| Helm-Cravens Library Fire Alarm Replacement | 554,000 |
| Ivan Wilson Fine Arts Center Life Safety | 441,000 |
| Helm-Cravens Repair Leaking Windows | 591,000 |
| Ivan Wilson Fine Arts Center Chiller Replacement | 562,000 |
| Ag Exposition Center HVAC Improvement Phase II | 731,000 |
| Academic Complex ACM Floor Tile Abatement | 957,000 |
| Garrett Conference Center HVAC Project | 600,000 |
| WKU Subtotal | 18,522,000 |

Kentucky Community and Technical College System

| | |
|--|-------------------|
| Deferred Maintenance & Gov. Mandates Pool | 3,571,000 |
| Capital Renewal Projects Pool | 10,165,000 |
| West KY Tech Roof Replacement | 999,000 |
| Program Renovation Pool | 5,368,000 |
| Bowling Green Tech Replace Roofs, Bldgs G&H | 532,000 |
| Jefferson Tech HVAC System Replacement | 2,491,000 |
| Somerset Tech Fire Alarm & Sprinkler System | 525,000 |
| Elizabethtown Tech HVAC Replacement Bldg 66 and 75 | 834,000 |
| KCTCS Subtotal | 24,485,000 |

System Total**\$170,525,700**

ENDOWMENT POLICY STATEMENTS

ACTION
Agenda Item F-7
September 14, 1998

Recommendation:

- That the Council approve the attached *Research Challenge Trust Fund Endowment Program* (Attachment A) and *Regional University Excellence Trust Fund Endowment Program* (Attachment B) policy statements.
- That the Council staff be authorized to develop distribution and reporting guidelines for the allocation of the endowment funds.

Rationale:

- The 1998-2000 Appropriations Bill (House Bill 321) passed by the General Assembly and signed by the Governor in April 1998 provides \$100 million for the Research Challenge Trust Fund Endowment and \$10 million for the Regional University Excellence Trust Fund Endowment from the General Fund Surplus Expenditure Plan.
- The objectives set forth in the *Research Challenge Trust Fund Endowment Program* and *Regional University Excellence Trust Fund Endowment Program* policy statements will assist the institutions in achieving the goals established in the Postsecondary Education Improvement Act of 1997 (House Bill 1).

Background:

At the May 18, 1998, Finance Committee meeting, a general discussion was held concerning the endowment programs. A work group was appointed by Finance Committee Chair, Ron Greenberg, to further define the sphere of eligible expenditures of the endowment funds. The work group met on June 12, 1998, and a draft summary of the meeting as well as comments received from President Shumaker and President Wethington were included in the July 13, 1998, Finance Committee agenda materials.

At the July 13, 1998, Finance Committee meeting, committee member Mcrl Hackbart distributed draft policy statements for the Research Challenge and Regional University Trust Fund Endowment programs. Those draft policy statements were discussed and a general consensus to expedite the endowment process was reached. A motion was approved to direct the staff to develop, by August 15, a comprehensive implementation plan for the \$110 million Endowment Fund established for the research universities (\$100 million) and the regional universities (\$10 million).

Staff Preparation by Norma Northern

Research Challenge Trust Fund Endowment Program

Objectives

The Research Challenge Trust Fund (RCTF) was created with the passage of the Postsecondary Education Improvement Act of 1997 (HB 1). The objectives of the trust fund stated in the bill are to support efforts by the University of Kentucky to attain status as a top 20 public research university and the University of Louisville to become a premier, nationally recognized metropolitan university. During the 1998 session of the Kentucky General Assembly, a \$100 million endowment was appropriated from the General Fund Surplus Expenditure Plan of House Bill 321 in support of the research universities' missions. *2020 Vision: An Agenda for Kentucky's Postsecondary Education System*, passed by the Council on Postsecondary Education (CPE) in July 1998, addresses this issue and links advanced education to statewide priorities and economic growth in the 21st century.

HB 1 and its subsequent funding increases for postsecondary education set priorities that are reinforced by the establishment of the endowment for the research universities and other incentives. Kentucky has committed itself to the importance of research to the economic well-being of its citizens. State government will provide endowment funds with the provision that the universities match them dollar-for-dollar.

This collaborative approach is critical to advancing Kentucky's research presence into national prominence. Joint funding will build new patterns of public-private cooperation for economic growth in the Commonwealth. Corollary benefits will be reaped in the instructional areas at the undergraduate, graduate, and professional levels.

As part of establishing guidelines for allocating the endowment funds, it is necessary to define what it means to be a top 20 public research university and a metropolitan research university of distinction.

Being a top 20 public research university is more than simply national standing in the number or dollar amounts of sponsored grants and contracts. National standing in this list probably will not be a sufficient indicator of prominence in the early years of the next century. Federal research dollars will tend to flow increasingly to strategic alliances between universities and corporations, with joint faculty and staff appointments and shared research interests. The era of major research universities that stand alone on the basis of federal sponsored program support most likely has passed. Kentucky should look for collaborative projects, especially in the technologies, engineering, and applied sciences and strive to achieve excellence in basic and applied research.

Nationally prominent research universities often are known for the excellence of their undergraduate education. Many of their graduate and professional schools have earned national recognition. They are engaged in work that has great practical and ethical importance for the people they serve. These institutions recognize that social and economic development depends not only on scientific discoveries but also on a deepened appreciation of how these innovations will affect

personal lives and values. A top 20 public research university has to encompass many of these ideals.

A metropolitan research university of distinction fulfills the complex role of a major institution acting in a densely populated area. In general, such a university serves a larger portion of non-traditional students who bring to the university diverse experiences, educational objectives, and personal means. Their needs stimulate the university to respond in innovative programmatic ways. A metropolitan university's research is strongly focused toward problem solving, applied research activities. It is a source of creativity and knowledge for its constituents, and is a major stakeholder in the vitality and economic resiliency of the metropolitan area it serves. The university is an integral part of the city, not simply located there. It is *of* the city, not merely *in* it.

General Guidelines for the Use of the Endowment Funds

The CPE expects state and private matching funds to be substantially directed toward supporting research that leads to the creation, preservation, or attraction of businesses that increase the number of good jobs available in Kentucky.

For these purposes, "good jobs" are defined as jobs that yield income at or above the national per capita income. The proximity to a university is recognized as a factor that influences the creation and growth of new companies. The universities should be aware of their role in creating entrepreneurial "hot spots" in Kentucky in choosing endowment fund initiatives.

This expectation recognizes the contribution of arts and humanities to the quality of life in the Commonwealth. The quality of life has been identified in *Entrepreneurial Hot Spots*¹ as one of the top five factors contributing to corporate location. Since the primary purpose of the RCTF is to advance Kentucky's economic growth, the CPE is receptive to limited, specifically targeted use of the endowment funds in this area.

The CPE recognizes that strong research programs are clustered.

Highly coordinated nuclei of similar research interests appear to have a better chance of success than isolated efforts. The State University of New York once followed a "7 x 7" rule: there should be seven related disciplines (such as Physical Sciences, Biological Sciences, Chemistry, etc.) with seven full-time faculty in each discipline. This configuration creates a critical mass of scholars who can influence the nation's research and academic agenda.

The CPE recognizes that the boundaries of traditional disciplines are increasingly permeable.

Much exciting new work is being done where the disciplines overlap or interact. The CPE encourages the use of endowment funds for interdisciplinary and problem-focused research efforts.

¹ Birch, D., Haggerty, A., Parsons, W., Rossel, G.; *Entrepreneurial Hot Spots*; Cogenetics, Inc.; 1993, page 15.

The CPE also recognizes the importance of strategic alliances between universities and corporations in specific research projects.

Strategic alliances will leverage federal support that became a major source of research funding during the years following World War II. The CPE encourages partnerships, particularly in the technologies, engineering, and applied sciences.

The Boards of Trustees of the universities have primary responsibility for the actualization of the RCTF Endowment.

The Boards of Trustees are responsible for providing guidance, to the greatest extent possible, to the university or foundation that serves as a depository of the endowment funds. The role of the Boards of Trustees is to define the public good and the ways in which their universities respond to it, in accordance with policy guidance from the elected representatives of the people (the Governor and General Assembly).

The primary role of the CPE will be oversight of the implementation of the RCTF Endowment.

The CPE:

1. Will require the institutions to outline the areas of concentration within which the endowment and matching funds are used.
2. Will set guidelines for distribution of the RCTF Endowment money.
3. Will require detailed reporting of how the RCTF Endowment and matching money are used. This reporting would include, but not be limited to, such items as:
 - a. The number of endowed chairs and professorships by name and incumbent.
 - b. The specific support services attached to the chairs and professorships.
 - c. The benefits to the university, which would include:
 - i. The increase in sponsored program funding directly attributed to RCTF and indirectly attributed as a result of improved institution reputation.
 - ii. The changes in quality of students and measurable outcomes (retention, graduation, pursuit of advanced study, and employment).
 - iii. The creation and profitable use of intellectual property.
 - d. The benefits to Kentucky in terms of jobs, revenue growth, creation of wealth, and improved standard of living.

Reports will be required annually, beginning July 1, 1999. Complete reporting requirements will be developed by the CPE in consultation with the institutions. Based upon the information provided to

it, the CPE will determine whether to include further funding for the Endowment in the 2000-02 biennium as part of its budget recommendation to the Governor and General Assembly.

Use of Endowment Funds

The RCTF Endowment money should be used for the following purposes:

1. **Endowed Chairs**, which would provide funding for additional faculty positions for salary or salary supplements and associated expenses. These expenses may include travel, start-up costs, and other professional expenses as permitted by university regulations and policies. Generally, faculty invited to assume endowed chairs will have active, funded research programs that they will bring with them.
2. **Endowed Professorships**, which would provide funding for salary supplements and expenditures associated with the enhancement of existing positions including travel expenses, start-up costs and other professional expenses as permitted by university regulations and policies.
3. **Endowed Graduate Fellowships**, which would provide funding for fellowship stipends for outstanding graduate students and may include travel and other expenses for such positions as specified in university regulations and policies.
4. **Research and Graduate Mission Support**, which would include support for the improvement of priority programs of national distinction including funding for visiting scholars, nationally prominent publications, the dissemination of research, and the advancement and support of the general research mission as specified in university regulations and policies. Universities would not fund capital construction projects with Endowment funds.

Matching Requirements

To receive funds from the RCTF Endowment fund, the universities will provide a dollar-for-dollar match. The following types of funds, received after June 1, 1997, may be used to match the Endowment funds:

1. Business or corporate gifts;
2. Gifts from alumni or other private individuals;
3. Agency funds contributed by affiliated corporations, auxiliary enterprises, and other entities, such as hospitals;
4. Federal government funds that can be used for permanent institutional endowments; and
5. Other funds specifically approved by the CPE.

Extramural Funding

Universities will have a maximum of five years to complete gifts and pledges made to fund an endowed chair or professorship. Endowed chairs or professorships normally are expected to secure extramural funding at levels appropriate to their disciplines within five years of their appointments, or the Council may decline to support future funding.

Administrative Structure

The objectives of this initiative are different from anything previously undertaken by Kentucky. We want to develop scholarly capacity at the two major research universities, and we want to develop it in such a way that the economic well-being of the Commonwealth is improved. This means research that can be applied, technologies that can lead to the creation of new companies, workers who are skilled and knowledgeable, and an environment that attracts business and jobs to Kentucky.

As we begin this initiative, the Council will appoint an advisory committee of leading industry and labor representatives to monitor the ways in which the Research Challenge Trust Fund Endowment is used by the universities, and to meet with university officials and trustees as may be helpful. The Council will ask this advisory committee for assistance in formulating its budget recommendations for 2000-2002.

The Council also will ask the advisory committee to consider other ways in which the universities' capacity for applied research and innovative technology development can be improved. This advice, too, will be helpful in formulating budget recommendations for 2000-2002 and the strategic change and improvement plan for Kentucky postsecondary education.

Regional University Excellence Trust Fund Endowment Program

Objectives

The Regional University Excellence Trust Fund (RUETF) was created with the passage of the Postsecondary Education Improvement Act of 1997 (HB 1). One of the objectives of the trust fund stated in the bill is to help each regional, comprehensive university to become nationally recognized in at least one academic program of distinction or one applied research program. During the 1998 session of the Kentucky General Assembly, a \$10 million endowment was appropriated from the General Fund Surplus Expenditure Plan of House Bill 321 in support of the comprehensive universities' missions. *2020 Vision: An Agenda for Kentucky's Postsecondary Education System*, passed by the Council on Postsecondary Education (CPE) in July 1998, addresses this issue and links advanced education to statewide priorities and economic growth in the 21st century.

HB 1 and its subsequent funding increases for postsecondary education set priorities that are reinforced by the establishment of the endowment for the regional universities and other incentives. Kentucky has committed itself to the importance of research to the economic well-being of its citizens. State government will provide endowment funds that the universities must match dollar-for-dollar.

This collaborative approach is critical to advancing Kentucky's research presence into national prominence. Joint funding will build new patterns of public-private cooperation for economic growth in the Commonwealth. Corollary benefits will be reaped in the instructional areas at the undergraduate and graduate levels.

As part of establishing guidelines for allocating the endowment funds, it is necessary to consider the unique role the comprehensive universities play in the areas and to the constituents they serve. The economies and vitality of the communities surrounding the universities require direct application of research results. Institutions must strive for a balance by recruiting or rewarding scholars that can attract outside funding and work well with communities, business, and industry. Comprehensive institutions should embrace and respond to the needs of the communities of which they are part.

General Guidelines for the Use of the Endowment Funds

The CPE expects state and private matching funds to be substantially directed toward supporting applied research that leads to the creation, preservation, or attraction of businesses that increase the number of good jobs available in Kentucky.

For these purposes, "good jobs" are defined as jobs that yield income at or above the national per capita income. The proximity to a university is recognized as a factor that influences the creation and growth of new companies. The universities should be aware of their role in creating entrepreneurial "hot spots" in Kentucky in choosing endowment fund initiatives.

This expectation recognizes the contribution of arts and humanities to the quality of life in the Commonwealth. The quality of life has been identified in *Entrepreneurial Hot Spots*¹ as one of the top

¹ Birch, D., Haggerty, A., Parsons, W., Rossel, G.; *Entrepreneurial Hot Spots*; Cogenetics, Inc.; 1993, page 15.

the CPE will determine whether to include further funding for the Endowment in the 2000-02 biennium as part of its budget recommendation to the Governor and General Assembly.

Use of Endowment Funds

The RUETF Endowment money should be used for the following purposes:

1. **Endowed Chairs**, which would provide funding for additional faculty positions for salary or salary supplements and associated expenses. These expenses may include travel, start-up costs, and other professional expenses as permitted by university regulations and policies. Generally, faculty invited to assume endowed chairs will have active, funded research programs that they will bring with them.
2. **Endowed Professorships**, which would provide funding for salary supplements and expenditures associated with the enhancement of existing positions including travel expenses, start-up costs and other professional expenses as permitted by university regulations and policies.
3. **Endowed Graduate Fellowships**, which would provide funding for fellowship stipends for outstanding graduate students and may include travel and other expenses for such positions as specified in university regulations and policies.
4. **Comprehensive Mission Support**, which would include support for the improvement of priority programs of national distinction including funding for visiting scholars, nationally prominent publications, the dissemination of research, and the advancement and support of the general research mission as specified in university regulations and policies. Universities would not fund capital construction projects with Endowment funds.

Matching Requirements

To receive funds from the RUETF Endowment fund, the universities will provide a dollar-for-dollar match. The following types of funds, received after June 1, 1997, may be used to match the Endowment funds:

1. Business or corporate gifts;
2. Gifts from alumni or other private individuals;
3. Agency funds contributed by affiliated corporations, auxiliary enterprises, and other entities, such as hospitals;
4. Federal government funds that can be used for permanent institutional endowments; and
5. Other funds specifically approved by the CPE.

Extramural Funding

Universities will have a maximum of five years to complete gifts and pledges made to fund an endowed chair or professorship. Endowed chairs or professorships normally are expected to secure extramural funding at levels appropriate to their disciplines within five years of their appointments, or the Council may decline to support future funding.

Administrative Structure

The objectives of this initiative are different from anything previously undertaken by Kentucky. We want to develop scholarly capacity at the comprehensive universities, and we want to develop it in such a way that the economic well-being of the Commonwealth is improved. This means research that can be applied, technologies that can lead to the creation of new companies, workers who are skilled and knowledgeable, and an environment that attracts business and jobs to Kentucky.

As we begin this initiative, the Council will appoint an advisory committee of leading industry and labor representatives to monitor the ways in which the Regional University Excellence Trust Fund Endowment is used by the universities, and to meet with university officials and trustees as may be helpful. The Council will ask this advisory committee for assistance in formulating its budget recommendations for 2000-2002.

The Council also will ask the advisory committee to consider other ways in which the universities' capacity for applied research and innovative technology development can be improved. This advice, too, will be helpful in formulating budget recommendations for 2000-2002 and the strategic change and improvement plan for Kentucky postsecondary education.